



marketDATA

	Price	YTD	1 Month	3 Months
Dow Jones	24,207	3.77%	2.60%	-4.62%
S&P 500	2,616	4.36%	2.76%	-5.51%
NASDAQ	7,035	6.02%	4.16%	-6.02%
Russell 2000	1,455	7.87%	5.55%	-6.80%
Wilshire 5000	27,060	5.09%	3.44%	-5.46%

Data as of: January 16, 2019

Source: Bloomberg

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Tax Tips:

Organize – This helps the preparer do a better job, and they will probably charge you less. Provide copies of previous years' returns but don't send originals.

Plan ahead – You know you have to file your taxes – don't wait until April to make an appointment with your preparer.

Check your return – Several new tax changes went into effect in 2018. Don't sign your return without reading it carefully.

Q4 earnings sets the near-term narrative. Over the coming weeks, investors will settle in for a potentially choppy corporate earnings season, in our view, with concerns over the extended U.S. Government shutdown and China/trade continuing to dominate the headlines. Select high-profile downward earnings revisions (AAPL, AAL, M, etc.) have provided reason for added caution in recent weeks, and we believe the stock performance for many related securities could prove volatile near-term. According to Goldman Sachs, the average implied same-day earnings move for an S&P 500 stock (factoring current option prices) now totals +/-7.4% – the highest in roughly a decade. We attribute the recent earnings revisions in part to slowing global growth (namely, Europe/China), trade uncertainty, and the ongoing government shutdown.

Now for the positives. Despite the noted near-term concerns, we continue to believe there are reasons for cautious optimism in 2019. Increasingly dovish commentary from the Federal Reserve, coupled with mild inflation and generally favorable market valuations, provide a positive backdrop for long-term price appreciation, in our view. Moreover, the December jobs report signaled continued hiring strength for U.S. employers despite the expected deceleration in domestic manufacturing growth. We believe a more comprehensive Chinese trade deal (and/or resolution of the current government shutdown) could provide added upside for equities and might also benefit domestic consumer spending. Statistically speaking, consecutive down years for the S&P 500 have occurred in only four instances since 1929.

Consensus broad-market expectations are still bullish. As of the date of writing this commentary (mid-January), the consensus bottoms-up 12-month price target for the S&P 500 is 3052 (18% higher), which assumes estimated forward earnings per share growth of 11% in 12 months and a 7% increase in the forward price/earnings (P/E). Coupled with another 2% from anticipated dividends, the estimated total return for the S&P 500 during the next 12 months is 20%. The S&P 500 currently trades at a forward price-to-earnings (P/E) ratio of 15.1x. Since 1990, the mean has been 15.9x, with a normal range (1 standard deviation) from 12.8x to 19.0x. After weighing the positives and negatives, we remain favorably disposed towards equities, although the consensus view appears optimistic to us. When we enter into higher-volatility periods such as these, we are reminded that a good investment strategy focusing on high-quality stocks, balanced sector allocations and reasonable valuations is the best way to navigate the ups and downs.

Source: BB&T Scott & Stringfellow Private Client Research – January 16, 2019

STAYING THE COURSE

Having a solid wealth management plan in place is essential for the savvy investor. However, it is just as important to partner with a trusted financial advisor to help ensure your plan is on course with your financial goals.

Meet Joe, an investor who has a long-standing relationship with his financial advisor. After years of experience, Joe has learned to concentrate on the big picture and worries less about short-term market shifts. However, this wasn't always the case. Like most investors, Joe had to evolve to this point of view. Here are a few of the lessons he learned along the journey.

Plan development is essential – At first, Joe was primarily concerned about the quality, risk and past performance of his selected investments. He was surprised when, during their initial meeting, his financial advisor concentrated less on investments and more on discussing Joe's long-term goals. By knowing what Joe wanted to achieve, his advisor helped him develop a sound plan in keeping with his timeframe and comfortable level of risk.

Declines can be building opportunities – According to the media, there is always reason to worry about the next economic catastrophe. While this captures our attention, it does little to put most investors at ease. Joe found himself continually checking his investment transactions in response to the news of the day. His financial advisor helped him realize market volatility is normal – and may present opportunities as well as risk. Joe has learned to tune out the noise and maintain his focus on prudent investment through up and down markets.

Stick to your plan – Joe has weathered several market fluctuations and continues to be on track to meet his goals. Instead of short-term market concerns, he concentrates on his overall goals. He sees that he'll be able to put his children through college and feels confident about his ability to retire comfortably. He continues to regularly consult with his financial advisor to monitor his investment plan, which gives him the peace in knowing his financial future is secure.

We are here to help you with any concerns you may have about your current investment plan. Please contact our office with any questions.

2019 TAX SEASON BEGINS JANUARY 28

The Internal Revenue Service will process tax returns beginning January 28, 2019, and provide refunds to taxpayers as scheduled.

As in past years, the IRS will begin accepting and processing individual tax returns once the filing season begins. For taxpayers who usually file early in the year and have all the needed documentation, there is no need to wait to file. They should file when they are ready to submit a complete and accurate tax return.

The filing deadline to submit 2018 tax returns is Monday, April 15, 2019, for most taxpayers. Because of the Patriots' Day holiday on April 15 in Maine and Massachusetts and the Emancipation Day holiday on April 16 in the District of Columbia, taxpayers who live in D.C., Maine or Massachusetts have until April 17, 2019, to file their returns.

Software companies and tax professionals are accepting and preparing tax returns before January 28 and will submit the returns once the IRS systems open. The IRS strongly encourages people to file their tax returns electronically to minimize errors and for faster refunds.

Source: irs.gov